



# Health Services

LOS ANGELES COUNTY

## Los Angeles County Board of Supervisors

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**Robert G. Splawn, M.D.**  
Interim Chief Medical Officer

313 N. Figueroa Street, Suite 912  
Los Angeles, CA 90012


Tel: (213) 240-8101  
Fax: (213) 481-0503

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*To improve health  
through leadership,  
service and education.*

September 3, 2009

TO: Each Supervisor

FROM: John F. Schunhoff, Ph.D.   
Interim Director

SUBJECT: **REIMBURSEMENT RATES FOR PHYSICIAN SERVICES  
FOR INDIGENTS PROGRAM (PSIP)**

On January 13, 2009, your Board approved and delegated to the Interim Director of the Department of Health Services (DHS or Department) authority to reduce the initial reimbursement rate for PSIP from 29% to 27% of the Official County Fee Schedule (OCFS) for Fiscal Year (FY) 2008-09 and to offer revised agreements to eligible non-County physicians providing emergency services at non-County hospitals, upon review and approval by County Counsel and the CEO. This reduction was a result of the increasing number of physicians enrolled and associated increased claims, as well as lack of adequate funding from State-generated sources.

On February 17, the Board referred back to the Department the initial recommendation to delegate authority to the Interim Director for further reductions in the reimbursement rate in future fiscal years and heard the report of the Department concerning the impact of the reduction of the PSIP reimbursement rates below Medi-Cal rates, alternatives to across-the-board reductions, and procedures to fully air any future proposals to lower the PSIP reimbursement rates below Medi-Cal with the public, prior to presenting to the Board.

Reductions in funding for the PSIP which were enacted in the final FY 2009-10 State Budget, leave the Department no option other than to propose further reductions in the PSIP program. The Department does not have other sources of revenue to backfill this significant State funding cut. Aside from Measure B funds for PSIP Trauma (partial off-set), these programs have historically been exclusively funded through State legislated sources or the State budget.

This is to inform you of the dimensions of this issue and to let you know the steps the Department has initiated to achieve public notice and review prior to filing a Board letter for your consideration.

### State Budget Reductions

As detailed in the August 6, 2009 Sacramento Update provided by the Chief Executive Officer (CEO), the State's Final FY 2009-10 Budget eliminated a line item called the Emergency Medical Services Appropriation (EMSA), resulting in a statewide reduction of \$24.8 million intended to supplement the physician component of each county's EMS/ Maddy Fund. Los Angeles County's share of the \$24.8 million cut is \$8.8 million, which is 30 percent of the total expected FY 2009-10 funding for the County's PSIP Emergency Room (ER) and PSIP Trauma Physician programs.



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### **PSIP Background**

PSIP, a program developed in 1987 to reimburse private physicians for indigent care, has historically been funded by a combination of: 1) penalty assessments collected for certain criminal offenses, known as "EMS/Maddy Funds"; 2) Los Angeles County "Measure B" property assessment funds designated for trauma centers (partial offset); and 3) the EMSA. EMSA funds were originally placed into the State budget in 2002 to offset reductions in Proposition 99 Tobacco Tax funds allocated by the California Healthcare for Indigents Program. These EMSA funds have been allocated to counties based on each county's share of the financial burden to provide health care services to those who are unable to pay.

### **Impact of Reduced PSIP Rates on Emergency Services**

If implemented across-the-board, the funding reduction will likely result in the PSIP ER reimbursement rates falling to approximately 50-60% of Medi-Cal payments, which will further limit availability of physicians willing to be on-call to private ERs, an already challenging situation. Ultimately, this could result in further ER closures, longer ambulance transport times, and increased ER waiting times.

### **Alternative to Across-the-Board Reductions in PSIP Rates**

The only alternative to significant rate reductions is maintaining the existing rates (which are approximately equal to Medi-Cal rates) and paying on a first-submitted, first-paid basis, resulting in unpaid claims at some point in the fiscal year, when all funding is exhausted. Historically, the County's Physician Reimbursement Advisory Committee (PRAC), a committee developed pursuant to the provisions of the State of California Welfare and Institutions Code ("WIC"), Sections 16950, et seq., and Health and Safety Code ("HSC"), Section 1797.98a, et seq., has rejected this methodology in favor of a reduced rate to ensure that all claims have some payment.

### **Procedures for Public Review Prior to Rate Reductions**

The Department will review these funding reductions in the PSIP with the PRAC, and get the PRAC recommendation. In addition, the proposed rate reduction will be discussed at the County's upcoming EMS Commission (EMSC) meeting on September 16, 2009. Providers have been notified of this potential impending rate reduction and have been invited to attend the meeting or submit comments/concerns in writing to the EMSC. DHS will review all comments and concerns prior to submitting a recommendation to the Board.

If you have any questions, please contact me or Carol Meyer, Chief Network Officer at (213) 240-8370.

JFS:cm

c: Chief Executive Officer  
Acting County Counsel  
Executive Officer, Board of Supervisors  
Emergency Medical Services Commission